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C O N F I D E N T I A L SECTION 01 OF 03 NEW DELHI 004761

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E.O. 12958: DECL: 10/26/2017

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SUBJECT: INDIAN DEFENSE MINISTER CHIDES RUSSIANS ON ARMS
SALES

REF: A. NEW DELHI 02315

[1](#)B. NEW DELHI 04597

[1](#)C. NEW DELHI 00440

Classified By: Acting PolCouns Atul Keshap, for reasons 1.4 (a, b, d)

[1](#)1. (U) SUMMARY: While meeting with his Russian counterparts for high-level military discussions in Moscow October 16) 20, Indian Defense Minister Antony signed an agreement with Russia to co-develop a fifth generation fighter jet intended to rival the F/A-22 Raptor and the F-35 Joint Strike Fighter. During his visit Antony publicly criticized Russia for delaying the delivery of the Gorshkov aircraft carrier, and served notice to the Russians that honesty and transparency would henceforth be obligatory in defense sales. Prime Minister Singh will visit Moscow November 11) 13 in a new era where Russia remains a trusted supplier and friend, but the effect of improved relations with the U.S. are keenly felt in Moscow and Delhi. END SUMMARY.

-- India, Russia to jointly produce Fifth Generation Fighter)-

[1](#)2. (C) Sujan Dutta (Embassy contact and Senior Assistant Editor, The Telegraph) accompanied the Indian delegation to Moscow and confirmed to Poloff October 23 that India and Russia have signed an Inter-Governmental Agreement (IGA) to co-produce a Fifth Generation Fighter Aircraft (FGFA). The Sukhoi aircraft design bureau began developing the FGFA (which it has dubbed the T-50) in 2005 and had invited India to share joint production from the beginning. India has decided to come onboard at a relatively late stage in the conceptual design process after two years' hesitation, remarked Rajat Pandit (Assistant Editor, Times of India). Pandit indicated that the Indian Air Force wants the FGFA to straddle the performance capabilities of the F/A-22 Raptor and the F-35 Joint Strike Fighter, and posited that its distinguishing features will include thrust-vectoring, stealth features, advanced radars and sensors, and the ability to achieve supersonic speeds without using an afterburner ("supercruising"). Dutta disclosed that the Russians will send a working group to Hindustan Aeronautics Limited ((HAL) - the Indian aerospace entity responsible for Indian military aircraft production) in Bangalore in November

to work out technical details of joint production, but as Vishnu Makhijani (Embassy contact and Senior Correspondent with the Indo-Asian News Service) admits, "there's not much India can really add to this project in the way of technology) basically we can just front half the money," adding that India could contribute some software. Russian officials have related to media that the cost of developing the FGFA is expected to reach USD 10 billion, and that it will take a decade to begin full-scale production of the planes. Russia expects India to provide half of the cost of development.

-- New Delhi Publicly Chastises Russia)-

¶3. (C) While in Moscow, Defense Minister A.K. Antony co-chaired the seventh session of the Indo-Russian Inter-Governmental Commission on Military Technical Cooperation (IRIGC-MTC). On the opening day of talks, Antony used a media event to take his Russian counterparts publicly to task for bumbling the delivery of the Gorshkov aircraft carrier (ref A). Makhijani was present at the press conference and told Poloff on October 23 that Russian Defense Minister Anatoly Serdyukov scribbled a note after hearing Antony's criticism and passed it grimly to the recently-appointed head of the Sevmash shipyard, who is responsible for the Gorshkov refurbishment project.

¶4. (C) Dutta was also present at the press conference and described to PolOff that apart from the Gorshkov complaint, Antony also served notice to the Russians that honesty and transparency would henceforth be obligatory in defense sales. Antony reminded them that India now requires an "integrity pact" for every defense sales contract worth more than one

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billion rupees (USD 24.6 million). Makhijani described the Russian faces present as chastened and humbled, and that Serdyukov quietly replied to Antony's demand by stating "Russia is improving its 'best practices' and working on solving this issue." According to Dutta, India's renewed interest in greater transparency is due to increased exposure to Western-style business transactions, which are markedly open and transparent in contrast to the murky, grey-market world of Russian arms deals.

¶5. (C) Dutta related that Antony also urged Moscow to guarantee lifecycle support for military equipment, prompted primarily by Indian Air Force concerns about late supplies of spare parts for its aging 1970's era Russian-built aircraft. Lastly, Antony asked Russia to press for the "economic viability of certain products" that are being negotiated or have been contracted. Dutta interpreted this comment as a challenge to Russia keep up its side of the bargain in Indo-Russian joint defense ventures, such as the Brahmos cruise missile project. Dutta underlined that such joint ventures will not be economically viable unless both countries place orders in sufficient numbers and find third country markets to export to. (Comment: this would also apply to the FGFA. End Comment.)

-- Mukherjee snubbed, but not Antony)-

¶6. (C) Antony's visit was directly preceded by Foreign Minister Pranab Mukherjee's visit to Moscow October 11 - 13 to attend the 13th annual Indo-Russian Inter-Governmental Commission (IRIGC) (ref B). Indian media published several contradictory, speculative articles in the week following Mukherjee's visit, reporting alleged mistreatment and snubbing he received from Russian officials during his visit, making much of the fact that neither President Putin nor Foreign Minister Lavrov met with him during his stay. Both men were meeting with Secretary of State Rice and Secretary of Defense Gates in Yekaterinaburg at the time. Pandit conjectured that the scheduling snafu was not intentional as much as the result of miscommunication on both sides; according to him the Indian side had changed Mukherjee's visit dates at the last minute, causing a collision with the

U.S. visit. However, our contacts are unanimous that there was some intentional cold-shoulder shown to Mukherjee. Dutta noted that Lavrov did not even do him the courtesy of calling him on the telephone from Yekaterinaburg to express regret at not meeting him in person. Dutta divulged that Mukherjee had come to Russia with dozens of state gifts, and returned home with half of them. Some Indian media articles argued that Defense Minister Antony was also snubbed because he was neither greeted nor seen off by President Putin. Makhijani disagreed, pointing out that Antony did meet with his counterpart Russian Defense Minister Serdyukov. The consensus in the press in Delhi was that Russia snubbed Mukherjee either for India getting too close to the U.S., or for the Congress Party's abrupt October 12 reversal on the nuclear deal.

-- Disagreements in Defense Sales still rankle)-

17. (C) Apart from massive delays and cost overruns on the Gorshkov aircraft carrier deal, there are several other contentious defense deals with Russia that Antony did not publicly touch upon during his visit. The rift causing the biggest heartburn for India is Moscow's June demand that India pay up to USD two billion above and beyond the contract cost of 138 additional SU-30 jet fighters. Contacts tell us that both sides have been haggling furiously over this price since June, and Indian media reported on the eve of Antony's visit that India had caved to Russia's demands. Makhijani noted that HAL Chairman A.K. Baweja has recently admitted in public that the cost of specialized steel had increased dramatically since the contract was written, and that the cost increase demanded by the Russians was at least partly justified. Makhijani asserted that the GOI may negotiate the price increase down a percentage point or two but that the

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SU-30 deal will be settled mostly in Russia's favor, as they have correctly calculated how far they can squeeze India without killing the deal. Pandit listed a few other unsatisfactory Russian military defense sales that have lately irritated India's Ministry of Defense:

a) Krivak-class frigates) delivery of the first one was long past schedule, and missile systems onboard did not perform to expectations.

b) Ilyushin 38 maritime recon aircraft) the first one delivered did not meet Indian performance standards.

-- Singh to Moscow in November)-

18. (C) Prime Minister Singh will make his planned trip to Moscow November 11) 13. Singh is expected to use this visit to sign an Inter-Governmental Agreement for joint development and production of the Multi Role Transport Aircraft (MRTA), a medium-sized 100-seat aircraft, to replace the aging Indian AN-32 aircraft fleet. Dutta explained that an IGA is a legal contract, more binding than the "Protocol of Intent" signed during Putin's visit to India in January for this project (ref C). Dutta added that Singh may also sign an IGA for purchase of 340 additional T-90 tanks.

-- India adopting Western business style, at Russia's Expense
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19. (C) COMMENT: The fact that the GOI is publicly criticizing its oldest and most trusted defense sales partner on the issues of increased transparency and honesty in business dealings suggests that while Indo-Russian relations remain firm, the door is opening for greater cooperation with other partners, including the U.S. It is especially heartening to hear top Indian officials talk up the necessity of anti-corruption measures, as this dovetails with Post's efforts to promote the integrity of U.S. business and the congruity of regulations such as the Foreign Corrupt Practices Act. In India's defense sales, Russia may still be

the old friend, but the influence of new partners, such as
the U.S. is certainly being felt. END COMMENT.
MULFORD